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TO RUEHC/SECSTATE WASHDC IMMEDIATE 3216
INFO RUEATRS/DEPT OF TREASURY WASHDC IMMEDIATE
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SUBJECT: RAIFFEISEN BANK ANNOUNCES INTENTION TO OPT OUT
OF ROSUKRENERGO (RUE) DEAL

¶1. During an April 24 briefing for journalists, Herbert Stepic, Chairman of the Board of Raiffeisen International Bank-Holding (RI), a holding company for Raiffeisen Zentralbank (RZB), announced that RZB's subsidiary Raiffeisen Investment AG (RIAG) will opt out as a 50% shareholder of the Ukrainian gas trading company Rosukrenergo (RUE). RIAG has acted as a trustee for an unknown beneficial owner since 2004. Stepic said that the beneficial owners would soon publicly reveal their identities, at which point RIAG will extricate itself from the joint venture. (Note: Gazprom controls the other 50% of the joint venture. End Note.)

¶2. Stepic said that "the outing" of the beneficial owners and the establishment of a new government in Ukraine would create "new rules of the game." In addition, RUE would phase out interim contracts on gas delivery this summer. Stepic underscored that Russia and Ukraine had asked Raiffeisen to participate as a trustee in the RUE joint venture at the time it was formed in 2004. Stepic noted that, unfortunately, "we became part of the Ukrainian election campaign."

¶3. Stepic stated that he believes relevant authorities in Ukraine, Russia, and the U.S. already know the name(s) of the beneficial owner(s). Stepic added that RIAG had also provided the Austrian Financial Market Authority with details of the RUE joint venture. Denying any RUE links to organized crime or money laundering suspect Semyon Mogilevich, Stepic said that RIAG had agreed to act as trustee only after a favorable due diligence on the beneficial owner by the U.S. risk consulting firm Kroll Associates.

¶4. Austrian press has recently picked up reports from U.S. media, particularly an April 21 Wall Street Journal article, to question Raiffeisen's involvement in the RUE deal and accusations that Russian organized crime is behind the joint venture.

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